



DON'T TAX YOURSELF

A Publication of Bowditch & Dewey's Estate, Financial & Tax Planning Group

Top Strategies for Gifting Wealth This Holiday Season

BY ANTHONY J. DRAGGA • DECEMBER 22, 2025

It's the season of giving, which may prompt parents to consider the best ways to give a portion of their wealth to their children or extended family members. Whether it's to help in critical life moments, such as buying a home or starting a business, families are often inclined to consider the best tax-savvy option for transferring large amounts of wealth to others.

If you're considering gifting wealth to your loved ones this holiday season, here are some of the top tax-efficient options to consider.

IRREVOCABLE LIFE INSURANCE TRUSTS

An irrevocable trust allows families to transfer their wealth directly to their children or loved ones while maximizing estate tax benefits. Although there are several common types of trusts that can remove assets from your taxable estate, many families opt for an irrevocable life insurance trust ("ILIT") to share wealth.

The proceeds from a life insurance policy owned in your own name will be subject to estate tax at your death. In contrast, the proceeds from a life insurance policy owned by an ILIT will generally pass free of estate taxation. Thus, ILITs have been, and continue to be, a very useful and basic estate planning device. It generally works like this:

The client sets up an irrevocable life insurance trust, for the benefit of their descendants, to own a life insurance policy on the client's life. The policy is either purchased by the trust or transferred to the trust, and the client makes gifts to the trust equal to the premium amount each year. The Trustee pays the premium amount, and, upon the client's death, the insurance proceeds are not included in the client's estate, which results in a lower estate tax bill. In addition, the trust offers creditor protection and estate tax benefits to the beneficiaries. Trusts are also a preferred planning technique because the client can control how and when the beneficiaries receive funds, which is especially useful for minor children or if there are concerns over the beneficiaries' financial responsibility.

ADDITIONAL TAX-SAVVY STRATEGIES FOR GIFTING WEALTH

Irrevocable trusts are one way to transfer wealth to loved ones in a tax-friendly way. Your best option depends on your circumstances and intentions. Other options include the following (note this is not an extensive list but rather an overview of common strategies):

- **Maximizing the Annual Gift Tax Exemption:** Per 2025 standings, you can give up to \$19,000 a person to an unlimited number of individuals each year without incurring a gift tax or dipping into your lifetime exclusion. This, over time, reduces your taxable estate.
- **Using the Lifetime Gift & Estate Tax Exemption:** When gifting larger amounts of money, you can use your lifetime exemption. For 2025, the federal gift and estate tax exemption is \$13.99 million per individual (or \$27.98 million for a married couple), increasing to \$15 million per individual (or \$30 million for a married couple) in 2026. Gifts exceeding the annual exclusion amount will draw down this lifetime exemption, but no tax is generally owed until the lifetime total is surpassed.
- **Direct Educational and Medical Expenses:** Payments made directly for educational expenses, such as tuition, or for medical care on behalf of someone else are exempt from gift tax and do not count against annual or lifetime tax exemption totals. This is a simple way to cover high financial costs that may otherwise be a financial burden to your children or other family members.
- **529 Education Savings Plans:** This state-sponsored investment plan allows your contributions to grow tax-deferred and make qualified withdrawals tax-free. In addition, you can front-load this savings plan with up to five years' worth of annual exclusions in a single year without triggering a gift tax.

If you're planning to transfer wealth to loved ones, remember to consult an [estate planning attorney](#) to ensure your plans are executed the way you intend.